

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

NO INFORMATION RECEIVED

Please copies to District

Date 11-30-67

Person to Contact:

Telephone Number:

Refer Reply to:

Date:

OCT 10 1967

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(4) of the Internal Revenue Code.

The information submitted indicates that you are a membership organization limited to persons who have been duly appointed and are regularly employed as police officers by the City of [REDACTED] (the "City"), and any such persons who have been duly retired or pensioned from such employment.

Your stated purposes are: to foster and encourage members to attain a high degree of skill and efficiency in police work; to elevate the standards of police departments by urging the elimination of politics from their conduct; to cultivate friendship and create a more complete and thorough coordination by and between the many police officers and police departments in the various cities, towns, and villages in the State of [REDACTED]; and to promote the general welfare of members by honorable and legislative means.

You are a member of the [REDACTED]. The City recognizes you as the sole and exclusive bargaining agent for all sworn personnel of the [REDACTED] Police Department.

Your primary activity is providing financial benefits to members. You provide members with funds for their legal defense. You also provide member with death benefits in the form of a insurance coverage for \$[REDACTED] each.

You have other activities directed to benefit the people in the community. These activities include supporting local youth sports games and a yearly children's christmas party.

Your activities are supported by membership dues and receipts from fund-raising activities, the latter primarily

*This document may not be
used or cited as precedent.
Section 6110(j)(3) of the
Internal Revenue Code.*

through bingo and pull-tab games. No amount of support fund is received from the City.

Section 501(c)(4) of the Code provides for the exemption of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization coming within the scope of this section is one which is operated primarily to bring about civic betterment and social improvements.

Rev. Rul. 75-199, 1975-1 C.B. 160, describes an organization that was formed to provide sick benefits to its members and death benefits to the beneficiaries of members. Membership is restricted to individuals of good moral character and health who belong to a particular ethnic group and reside in a stated geographical area. The ruling held that the organization is not exempt under section 501(c)(4) of the Code because the organization is engaged primarily to benefit its members with only minor or incidental benefits to the community.

Rev. Rul. 81-58, 1981-1 C.B. 331, describes an organization composed of officers of a police department in a particular community. The organization conducts a membership benefit program which constitutes its primary activity. The program includes a lump sum payment to each member upon retirement or a lump sum payment to beneficiaries upon the member's death. The benefit program serves as a supplement to the civil service provided by the political subdivision in which the police officers are employed. Also, its primary sources of income are from contributions and amounts raised in fundraising events. The revenue ruling held that the organization is essentially a mutual, self-interest type of organization providing direct economic benefits to members. Although the class of employees benefited by the organization consists of police officers engaged in the performance of essential and hazardous public service and there is an incidental benefit provided by the organization to the larger community, the fact remains that the primary benefits from the organization are limited to its members. Therefore, the organization is not operated exclusively for the promotion of social welfare within the meaning of section 501(c)(4) of the Code.

Rev. Rul. 87-126, 1987-1 C.B. 150, describes a nonprofit

fire fighters' association which was established and is maintained by the local government to provide retirement benefits to fire fighters. The association's income consists of amounts received from the state and local governments and of investment income on such amounts. The revenue ruling holds that the association qualifies for exemption under section 501(c)(4) of the Code because it provides benefits that are recognized as a legitimate function of the government as evidenced by the government's willingness to fund the association. Also, it is distinguishable (except for the class of individuals receiving benefits) to the organization described in Rev. Rul. 81-58 because of the substantial involvement of the government.

In Consumer-Farmer Milk Cooperative, Inc. v. Commissioner of Internal Revenue, 136 F.2d 68 (2d Cir. 1950), the court denied exemption under section 501(c)(4) of the Code because the organization's purpose is primarily to benefit its members economically and only incidentally to further larger public welfare.

While it appears that you have activities that will further the common good and general welfare of the community, your primary activities are directed to provide benefits to members and their dependents. By operating primarily for the benefit of members and only incidentally for the benefit of the community, you are not operated exclusively for the promotion of social welfare under section 501(c)(4) of the Code. See Consumer-Farmer Milk Cooperative, Inc.

You are analogous to the organizations described in Rev. Ruls. 75-199 and 81-58. An organization like yours is essentially a mutual, self-interest type of organization engaged primarily in providing direct benefits to members. You are distinguishable from the organization described in Rev. Rul. 87-126. Whereas that organization is funded and maintained by a government, and has substantial involvement by such government, you are totally independent from the government but rather relies for financial support from members and receipts from fundraising events.

Therefore, you do not qualify for exemption under section 501(c)(4) of the Code.

You are required to file federal income tax returns under Form 1120.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your

[REDACTED]

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views, with a full explanation of your reasoning. This statement, signed by one of your officers or trustees, must be submitted within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices requirements.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director in Chicago, Illinois. Thereafter, any questions about your federal income tax status should be addressed to that office.

Sincerely yours,

[REDACTED]
Chief, Exempt Organizations
Rulings Branch 2

cc: [REDACTED]